Jewel Tea Co., Inc.

Annual Report

1957

Jewel Tea Co., Inc.

RESULTS IN BRIEF

(Combining, for 1957 and 1956, Jewel Tea Co., Inc. and Eisner Grocery Company with which it merged in March, 1957. In computing earnings per share, common stock issued in this connection has been considered to be outstanding during all of 1957 and 1956.)

	1957	1956
Retail Sales:		
Retail Food Stores	$336,606,569	$307,799,753
Home Service Routes	77,859,246	77,753,716
Total	$414,465,815	$385,553,469
Earnings:		
Before federal income taxes	$ 14,255,812	$ 12,768,943
Net for the year	6,960,812	6,339,943
Per cent to sales and revenues	1.7%	1.6%
Reinvested in the business	3,145,608	3,438,305
Earned per share of common stock	$4.61	$4.22
Cash dividends paid per share of Jewel common stock	2.00	2.00
Dividends declared in common stock (2%) to be issued January 31, 1958	29,259 shares	
New property, plant and equipment (net)	$ 6,535,915	$ 7,346,564
Depreciation provision	4,216,154	3,511,371
Net working capital	$ 30,985,204	$ 29,762,608
Ratio of current assets to current liabilities	2.1 to 1	2.1 to 1
Operating Units:		
Number of Retail Food Stores	227	227
Square feet of floor space	2,108,310	1,963,712
Number of Home Service Routes	1,941	2,000
Shareowners	7,557	7,572
Common shares outstanding	1,462,921	1,446,449
Preferred shares outstanding	58,319	59,039
Employees	9,344	9,120

Jewel Tea Co., Inc.

MANAGEMENT'S REPORT

February 6, 1958

To Jewel Shareowners, Employees and Other Friends:

We are pleased to report on results for 1957 which again show new records in both sales and earnings. Sales were up 7.5% and totaled $414,465,815. Net earnings were $6,960,812 or $4.61 per share of common stock, a gain of 9.8% from comparable figures a year ago. These results and comparisons with 1956 include the operations of Eisner Grocery Company, acquired on March 12, 1957.

During the year, fourteen new stores were opened, one in the Eisner territory and thirteen in the Chicago Metropolitan Area. Fourteen outmoded stores were closed, leaving 227 stores in operation at the close of the year.

At the beginning of 1958, seventeen new supermarkets were under construction. Plans for additional stores are sufficiently advanced to make us believe that a minimum of 35 store units will be opened this year. Smaller inadequate stores will continue to be closed, with the exact number depending on profitability and competitive developments.

An important factor affecting our competitive situation was the introduction of trading stamps into the Chicago area by two large food chains on September 30, 1957. Information from other parts of the country where trading stamps had been in use for some time, indicated that this method of attracting customers loses much of its appeal after the excitement of introductory promotion. Rather than offer stamps for a relatively short-term sales advantage, and risk a long-term increase in expense and also the attractive values now available to our customers, we stepped up other promotional activities. Temporarily, this action raised costs at the expense of earnings. Sales comparisons with a year ago, however, continued favorable for the Jewel Stores in the Chicago trading stamp area and since the turn of the year this has also been true of earnings.

The Home Service Routes program of expanding metropolitan operations and curtailing operations in sparsely-settled communities is progress-

ing as planned. There was a net decrease of 59 routes during the year as the first phase of the program went ahead rapidly. All of the reduction in the number of routes in operation occurred during the first half of the year; there was a net gain of six routes during the last half. For the first half of 1958 we have budgeted 30 new routes.

Progress in developing regional distribution centers for the Home Service Routes is on schedule. The five centers now in operation serve 150 to 250 routes each, compared with approximately 30 routes each for the small branches which they replaced. These changes improved the profits from our Home Service Routes. In 1958 three more centers, located near Cincinnati, Ohio; Detroit, Michigan; and in northern California will be in operation. This will complete our present program for developing division distribution centers, which will then serve approximately 70% of our present routes.

It is expected that our store growth program will make it necessary to add approximately 200,000 sq. ft. to the dry grocery warehouse in Melrose Park, Illinois, by the fall of 1958. Manufacturing activities at our Barrington, Illinois, plant are also expanding and it may be necessary to add space at this location during the year.

The budgeted needs for capital assets and working capital in 1958 will substantially exceed the amounts used for these purposes in 1957. It is contemplated that Jewel will borrow additional funds this year to supplement those generated internally from depreciation and retained earnings. Any additional debt, however, will not be excessive and will preserve a well balanced capitalization.

Personnel development received special attention in 1957 because of the demands of our growth programs in 1958 and beyond. Jewel Food Stores commemorated their 25th Anniversary Year with an extensive appraisal of operating, merchandising and personnel practices, with resulting constructive suggestions which will help to guide our operations in the future.

Our Package Plan of group insurance was improved through the addition of a major medical expense insurance feature, helping to free our employees from worries over possible long-term illnesses. The retirement program was also liberalized through permitting larger personal contributions by some of the participants. Both of these programs are supported by joint contributions from employees and the company.

Mindful of the continued development of management skills that will be needed in coming years, Jewel established a college scholarship program for part-time high school teenagers, and co-operated in organizing a course in industrial management by the University of Illinois. These supplement Jewel's summer program for college students and support of the Curriculum in Food Distribution at Michigan State University. In 1958 we will also undertake an extensive cataloguing of management skills available and needed over the next five to ten years.

Our country entered 1958 with a general business recession under way. However, our sales and earnings have continued favorable as they did in the earlier postwar business recessions of 1949 and 1954. Most economists agree that disposable personal income, a major determinant of the basic demand for food and other merchandise, will not experience a drastic decline. We therefore look upon the current situation as an opportunity to push ahead with our growth programs.

We are grateful for the wonderful support we have received from Jewel and Eisner people this past year, and we believe that our organization has the depth and strength to carry forward our ambitious plans for a larger and more profitable business.

G. L. Clements

President

For the Board of Directors

F. J. Lunding

Chairman

Jewel Tea Co., Inc.

TEN YEAR REVIEW

(Jewel and Eisner combined for all years)

OPERATING RESULTS

Year	Retail Sales*	Payments To or For Employees*	Depreciation Provision*	Net Earnings Per Common Share
1948	$175,818	$26,348	$1,213	$3.27
1949	192,819	28,883	1,679	3.35
1950	212,463	31,443	1,869	3.44
1951	236,644	34,439	2,166	2.80
1952	255,227	37,573	2,314	2.47
1953	275,785	41,044	2,348	2.43
1954	314,162	45,981	2,919	3.13
1955	348,215	49,591	3,423	3.59
1956	385,553	54,284	3,511	4.22
1957	414,466	58,849	4,216	4.61

FINANCIAL GROWTH

At Year End	Working Capital*	Property, Plant and Equipment* (At Book Value)	Shareowners' Investment*	Total Assets*
1948	$13,738	$ 9,327	$22,763	$35,427
1949	14,443	10,984	25,015	38,159
1950	16,489	11,595	28,630	46,468
1951	24,020	13,403	29,953	54,643
1952	25,211	13,040	31,096	55,026
1953	28,307	15,316	36,700	63,532
1954	24,095	21,321	38,909	69,012
1955	30,147	22,378	41,470	77,114
1956	29,763	26,443	45,016	86,659
1957	30,985	28,763	48,870	90,496

*In thousands of dollars

TOUCHE, NIVEN, BAILEY & SMART
CERTIFIED PUBLIC ACCOUNTANTS

208 SOUTH LA SALLE STREET
CHICAGO 4, ILL.

February 3, 1958.

THE BOARD OF DIRECTORS,
JEWEL TEA CO., INC.:

We have examined the consolidated balance sheet of Jewel Tea Co., Inc. and consolidated subsidiary as of December 28, 1957, and the related statement of income and accumulated earnings for the fifty-two weeks then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statement of income and accumulated earnings present fairly the financial position of Jewel Tea Co., Inc. and consolidated subsidiary at December 28, 1957, and the consolidated results of their operations for the fifty-two weeks then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Touche, Niven, Bailey & Smart
Certified Public Accountants.

Jewel Tea Co., Inc.

CONSOLIDATED INCOME ACCOUNT AND ACCUMULATED EARNINGS—UNAPPROPRIATED

(Jewel and Eisner combined for both years)

	52 Weeks Ended Dec. 28, 1957	52 Weeks Ended Dec. 29, 1956
Sales and Revenues:		
Retail sales	$414,465,815	$385,553,469
Other sales and revenues	3,317,197	2,977,235
Total sales and revenues	417,783,012	388,530,704
Cost of Doing Business:		
Paid to or for the benefit of employees	58,848,845	54,283,791
Products, materials, services, rents and interest	335,931,351	314,427,047
Depreciation	4,216,154	3,511,371
Maintenance and repairs	1,440,221	1,174,486
Doubtful accounts	1,061,283	735,037
Federal income taxes	7,295,000	6,429,000
State, local and all other federal taxes	2,029,346	1,630,029
Total cost of doing business	410,822,200	382,190,761
Net Earnings for the Year	6,960,812	6,339,943
Accumulated Earnings—Unappropriated Beginning of Year—Jewel Tea Co., Inc.	21,477,832	18,660,447
Eisner Grocery Co.	3,977,214	3,356,294
	32,415,858	28,356,684
Deduct:		
Cash dividends declared:		
Jewel preferred stock	219,049	231,312
Jewel common stock	3,596,155	2,604,326
Former Eisner stock		66,000
Appropriation for 2% stock dividend (29,259 shares at $58 per share)	1,697,022	
	5,512,226	2,901,638
Accumulated Earnings—Unappropriated End of Year	$ 26,903,632	$ 25,455,046

See accompanying notes to consolidated financial statements.

Jewel Tea Co., Inc.

CONSOLIDATED BALANCE SHEET

(Jewel and Eisner combined at both dates)

ASSETS	**Dec. 28, 1957**	**Dec. 29, 1956**
Current Assets:		
Cash	$ 8,268,826	$ 8,849,408
Marketable securities—lower of cost or market	9,542,002	9,185,159
Accounts receivable, less allowances	10,170,515	8,903,453
Inventories	28,036,668	28,607,201
Temporary investment in retail store properties	2,148,880	1,253,736
Prepaid expenses and supplies	1,072,442	949,993
Total current assets	59,239,333	57,748,950
Deferred Charge—		
Premiums Advanced to Customers	1,501,770	1,628,493
Other Investments	991,841	782,655
Property, Plant and Equipment	28,762,881	26,443,120
Goodwill	1	55,977
	$90,495,826	$86,659,195
LIABILITIES		
Current Liabilities:		
Accounts payable and accrued expenses	$14,115,859	$15,952,010
Dividends payable	800,764	85,349
Accrued federal, state and local taxes	7,833,155	7,344,607
Accrued payrolls and profit sharing	5,210,746	4,311,943
Long term indebtedness due within one year	293,605	292,433
Total current liabilities	28,254,129	27,986,342
Long Term Indebtedness, less due within one year	12,620,001	13,153,606
Deferred Federal Income Taxes	752,000	502,834
Shareowners' Investment:		
Preferred stock	6,900,000	6,900,000
Common stock:		
Outstanding at year end	13,144,040	12,375,188
Stock dividend to be issued January 31, 1958	1,697,022	
Accumulated earnings—reserved for self-insured losses and general contingencies	1,250,000	1,250,000
Accumulated earnings—unappropriated	26,903,632	25,455,046
Preferred stock in treasury	(1,024,998)	(963,821)
Total shareowners' investment	48,869,696	45,016,413
	$90,495,826	$86,659,195

See accompanying notes to consolidated financial statements.

Jewel Tea Co., Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MERGER WITH EISNER GROCERY COMPANY

On March 12, 1957, Eisner Grocery Company was merged with Jewel Tea Co., Inc., 142,000 shares of common stock being exchanged for all capital shares of Eisner Grocery Company. The accounts of these companies have been combined for the two years for comparative purposes. Equity in capital stock of and advances to Eisner Realty Corporation, an unconsolidated wholly-owned subsidiary of Eisner Grocery Co., aggregated $762,730 at December 28, 1957 and are included in Other Investments.

INVENTORIES

Inventories are valued at the lower of first-in, first-out cost or market, except that green coffee cost ($1,454,054) is determined under the last-in, first-out method.

PROPERTY, PLANT AND EQUIPMENT

	Dec. 28, 1957	Dec. 29, 1956
Cost:		
Land	$ 1,591,146	$ 1,491,781
Buildings	10,359,740	10,161,616
Equipment	36,470,125	32,309,048
Total cost	48,421,011	43,962,445
Allowance for depreciation	19,658,130	17,519,325
Net	$28,762,881	$26,443,120

LONG TERM INDEBTEDNESS

Consists principally of the following unsecured loans:

	Rate	Total Outstanding	Final Maturity
Insurance Companies	2.85%	$5,000,000	1971
Insurance Companies	3.75	4,565,200	1978
Banks	2.75	2,040,000	1961
Insurance Company	4⅛	764,500	1971

Aggregate annual repayment requirements on total long term debt for each of the next 5 years follows:

1958, $534,000; 1959, $534,000; 1960, $317,000; 1961, $1,854,000; 1962, $794,000.

Interest on long term indebtedness totaled $442,183 in 1957.

PREFERRED STOCK—STOCK IN TREASURY

Preferred stock is 3.75% cumulative $100 par value, and 69,000 shares were authorized and issued at December 28, 1957.

Under the sinking fund provisions relating to the preferred stock, the Company must acquire annually on or before each June 30th at least 1,500 shares. On December 28, 1957, there were 10,681 shares of preferred stock in the treasury valued at the acquisition cost of $1,024,998, of which 9,181 shares are earmarked for sinking fund requirements through June 30, 1959 and part of the 1960 requirements.

COMMON STOCK

Common stock of $1 par value per share consists of 1,800,000 authorized shares. At December 28, 1957, there were 1,462,921 shares issued and outstanding.

During 1957, 4,472 shares were issued to employees under terms of a stock purchase plan and the proceeds of $205,933 credited to the Common Stock Account. Also, 12,000 shares were issued to profit sharing retirement trusts. These shares were stated at 95% of market price at date of issue, an aggregate of $562,920. At December 28, 1957, 4,492 additional shares were under contract to employees.

A total of 142,000 shares of stock was issued in March, 1957, in exchange for all of the capital stock of Eisner Grocery Company.

RESTRICTED STOCK OPTION PLAN

Under a plan adopted in 1956, 75,000 shares of the Company's common stock were reserved for issuance of restricted stock options to certain key personnel, at prices not less than 95% of the market price on the dates granted.

At December 28, 1957, options as to 57,500 shares had been granted at prices ranging from $47.03 to $51.54 per share, 12,500 of which were exercisable, but had not been exercised, at that date.

ACCUMULATED EARNINGS (Unappropriated)

Under the terms of note agreements with insurance companies and the preferred stock provisions of the certificate of incorporation (the terms of the note agreements governing) $14,621,147 is not restricted as of December 28, 1957 for cash dividends on common stock.

LONG TERM LEASES

Nearly all retail food stores and branch office-warehouse properties are under lease. A majority of lease commitments are for 10 years or less and the remainder, for the most part, cover periods up to 20 years. The annual minimum commitments for leases expiring beyond five years total approximately $2,170,000. Rentals for all leased properties in 1957 totaled $3,159,617, of which $112,086 was paid to an unconsolidated wholly-owned subsidiary and other affiliates.

Jewel Tea Co., Inc.

Directors

G. L. Clements	A. V. Jannotta	M. S. Morse
A. Eisner, Jr.	F. J. Lunding	J. M. O'Connor
J. M. Friedlander	E. H. McDermott	F. L. Spreyer
W. A. Gerbosi	E. A. Miller	H. J. Szold
E. E. Hargrave	S. R. Miller	R. R. Updegraff

H. S. Bowers, *Director Emeritus*

Officers

F. J. Lunding .... *Chairman of Board of Directors*
G. L. Clements .... *President*
J. M. Friedlander ...... *Chairman of Finance Committee*
J. A. Brewer .... *Vice Pres. Mfg., Warehousing and Transp.*
E. E. Hargrave .... *Vice Pres. Administration*
E. A. Miller .... *Vice Pres. Marketing*
M. S. Morse .... *Vice Pres. Stores Operating*
J. M. O'Connor .... *Vice Pres. Imports*
H. R. Rasmussen ...... *Vice Pres. Stores Merchandising*
F. L. Spreyer .... *Vice Pres. Eisner Operations*
E. R. Stanley .... *Vice Pres. Routes*
R. D. Sturtevant ...... *Vice Pres. Real Estate and Construction*
H. G. Homuth .... *Treasurer*
W. W. Tongue .... *Economist*
H. O. Wagner .... *Controller*
R. W. Williamson ...... *General Counsel and Secretary*
E. T. Vorbeck .... *Gen. Attorney and Asst. Secretary*

Jewel Tea Co., Inc.

A New York Corporation

Principal Offices

Chairman, Board of Directors and Chairman, Finance Committee	135 South LaSalle Street, Chicago 3, Illinois
President and Executive	1955 West North Avenue, Melrose Park, Illinois
Jewel Food Stores	3617 South Ashland Avenue, Chicago 9, Illinois
Home Service Routes	Jewel Park, Barrington, Illinois
Importing	99 Wall Street, New York City
Eisner Grocery Company	301 East Wilbur Heights Road, Champaign, Illinois

Stock Listing

$1 Par Common Stock and 3¾% Cumulative Preferred Stock listed on the New York Stock Exchange

Transfer Agent

Manufacturers Trust Company, 55 Broad Street, New York 15, N. Y.

Registrar

Bankers Trust Company, 16 Wall Street, New York 15, N. Y.

Annual Meeting

The Annual Meeting of stockholders will be held at 12:00 noon on Tuesday, March 25, 1958, at the Biltmore Hotel in New York City.

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